

Translations

**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2016
[JA-GAAP]**

July 31, 2015

Stock exchange listing: Tokyo Stock Exchange

Company Name: MEC COMPANY LTD.

Stock Code No.: 4971 Company URL: <http://www.mec-co.com/>

Representative: Kazuo MAEDA, CEO & President

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Commencement Date of Dividend Payment (Scheduled) : -

Scheduled date for submitting quarterly reports: August 12, 2015

Creation of reference materials supplementary to the quarterly results: Yes

Holding of briefing sessions regarding the quarterly results: Yes (for institutional investors, securities analysts)

(Amounts less than one million yen have been disregarded.)

1. Consolidated financial results (April 1, 2015 to June 30, 2015)

(1) Financial results

Note: Percentages indicate year-on-year changes for quarter.

	Net sales		Operating income		Ordinary income		Net income attributable to parent company's shareholders	
Three months ended June 30, 2015	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2014	2,185	1.4	496	-9.1	538	-1.8	377	15.0
	2,155	24.1	545	168.2	548	112.9	327	97.9

Note: Comprehensive : June 30, 2015:363 million yen (110.3%); June 30, 2014:172 million yen (-59.1%)

	Net income per share for quarter	Diluted net income per share for quarter
Three months ended June 30, 2015	Yen	Yen
Three months ended June 30, 2014	18.79	-
	16.34	-

(2) Financial position

	Total assets	Net assets	Equity ratio	Book value per share
June 30, 2015	Millions of yen	Millions of yen	%	Yen
June 30, 2015	14,589	12,242	83.9	609.94
March 31, 2015	14,646	12,039	82.2	599.85

(Reference) Shareholder's equity : June 30, 2015: 12,242 million yen ; March 31, 2015: 12,039 million yen

2. Dividends

	Annual dividend				
	1Q	2Q	3Q	4Q	Annual
Year ended March 31, 2015	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	-	6.00	-	8.00	14.00
Year ending March 31, 2016 (forecast)					
		8.00	-	8.00	16.00

(Note) Revision of recently announced dividends forecast: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(Percentages indicate changes from previous fiscal year for full-year figures, and year-on-year changes for quarterly changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company's shareholders		Net income per share
Second quarter (year to date)	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	4,660	3.5	1,060	0.5	1,100	0.7	770	8.2	38.36
	9,420	4.0	2,150	7.0	2,200	3.3	1,450	7.9	72.24

(Note) Revision of recently announced earnings forecast: None

* Notes

- (1) Changes in important subsidiaries during this quarter (Change of specific subsidiary companies that involves changes in the scope of consolidation): No
Newly consolidated companies — (company name), Excluded companies — (company name)
- (2) Application of concise accounting procedures or particular accounting procedures in the creation of consolidated financial statements during this quarter: Yes
Note: For details, please see "Application of accounting procedures specified to create quarterly consolidated financial statements" on page 3 of the attached materials.
- (3) Changes of principles, procedures, presentation methods, etc., in accounting procedures
- 1) Changes that accompany amendment of accounting standards, etc.: Yes
 - 2) Changes other than those of (1): No
 - 3) Expected changes to accounting standards: No
 - 4) Restatements: No
- Note: For more information, please refer to "(3) Changes in accounting policies or accounting estimates, and restatement" on page 3 of the attachment.

(4) Number of shares outstanding (Common stock)

1) Number of outstanding shares at end of term (including treasury stock)	Three months ended June 30, 2015	20,071,093 shares	Year ended March 31, 2015	20,071,093 shares
2) Number of treasury stock at end of term	Three months ended June 30, 2015	34 shares	Year ended March 31, 2015	34 shares
3) Average number of shares during term (Quarterly consolidated year to date)	Three months ended June 30, 2015	20,071,059 shares	Three months ended June 30, 2014	20,071,059 shares

* Presentation of implementation status of procedures for the quarterly review

These Consolidated Financial Results for the First Quarter are outside the scope of procedures for quarterly review covered by the Financial Instruments and Exchange Act. Thus, at the time of announcing these Consolidated Financial Results for the First Quarter, we have not yet to complete the procedures for quarterly review covered by the Financial Instruments and Exchange Act.

* Explanation of appropriate use of earnings forecasts. Other points of note

Earnings forecasts have been created based on the available information as of the date of announcing this material and certain assumptions that are judged to be rational and a commitment to the achievement. Actual results may differ from the forecast figures for a variety of reasons. For details of the earnings forecasts, refer to "Analysis of forward-looking information, such as the consolidated earnings forecast" on page 2.

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1. Qualitative information regarding consolidated results for this quarter**(1) Analysis of results of operations**

In the world economy in the consolidated first quarter under review (April 1, 2015 to June 30, 2015), there was an ongoing recovery of the economy in the United States. However, the economy in Europe was stagnant due to financial instability relating to Greece and there was a deceleration of economic growth in China and emerging countries. Hence, a situation has persisted in which the outlook is unclear.

Japan's economy saw an improvement in the profitability of companies against the background of the government's economic policy and a persistently weak yen. In addition, personal consumption, which had fallen after a hike in consumption tax, increased due to an improvement in employment and incomes, and there was a gradual recovery in the economy. In the electronics industry, there were sluggish sales of personal computers and LCD TVs, and a slowdown could be seen in the growth of tablet PCs. But sales of smartphones continued to grow.

Under such an environment, the Company's Group continued to make efforts to develop and sell chemicals for high-density electronic substrates, as it had done in the previous term. In particular, we have accelerated the development of our CZ Series, which commands a high market share for use in the production of package substrates for smartphones and tablet PCs, and our EXE Series of products, which are used in the manufacture of high-density wiring patterns, and have been actively working to sell them. The EXE series has already acquired a high market share for displays, and furthermore we are continuing to conduct an evaluation test on the products in this series to expand their sales for use with package substrates, flexible substrates and HDI boards. In addition, we actively strove to expand sales of AMALPHA, our technique for directly joining metal and resin, by showcasing it in an exhibition and having it featured in magazine articles, etc.

As a result, our net sales in the fiscal year under review amounted to 2,185 million yen (up 1.4% year-on-year), operating income was 496 million yen (down 9.1% year-on-year), ordinary income was 538 million yen (down 1.8% year-on-year), and quarterly net income attributable to shareholders of the parent company was 377 million yen (up 15.0% year-on-year).

(2) Analysis relating to the financial situation

Although there was an increase in cash and deposits, there was also a decrease in notes and accounts receivable and a fall in the amount of merchandise and products, raw materials and supplies. As a result, assets came to 14,589 million yen, down 56 million yen compared with the same period of the previous fiscal year.

There was a decrease in accounts payable and income taxes payable and hence liabilities came to 2,347 million yen, down 259 million yen compared with the same period of the previous fiscal year.

In addition, there was an increase in retained earnings and so net assets were 12,242 million yen, up 202 million yen compared with the previous consolidated fiscal year.

As a result of the above, the equity ratio reached 83.9%.

(3) Analysis of forward-looking information, such as the consolidated earnings forecast

There is no change to the consolidated earnings forecast for the consolidated cumulative second quarter and for the full-year, as announced in the Financial Announcement for the Year Ended March 31, 2015 which was released on May 8, 2015.

2. Matters on summary information (notes)

- (1) Changes in important subsidiaries during this quarter
N/A

- (2) Application of accounting procedures specified to create quarterly consolidated financial statements

For tax expenses, the Company has adopted the method of reasonably estimating the effective tax rate after the application of tax effect accounting to net income before income taxes for the consolidated accounting year and multiplying quarterly net income before income taxes by this estimated effective tax rate. However, in cases where the result of calculating using this effective tax rate lacks reasonableness in a striking manner, the Company bases calculations on the legal tax rate.

- (3) Changes in accounting policies or accounting estimates, and restatement

Changes in accounting policies

(Application of Accounting Standard for Business Combinations)

From the first quarter of this fiscal year, the Company began applying “Accounting Standards on Business Combinations” (Corporate Accounting Standards No. 21; September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (Corporate Accounting Standards No. 22; September 13, 2013) and “Accounting Standard for Business Divestitures” (Corporate Accounting Standards No. 7; September 13, 2013). The Company also changed the method of reporting net income, etc. and switched from a method that reports minority interest to a method that reports non-controlling shareholders’ equity. To reflect this change in reporting method, the Company has made certain reclassifications to its quarterly consolidated financial statements and consolidated financial statements for the first quarter of the previous fiscal year and the previous fiscal year.

3. Quarterly consolidated financial statement

(1) Quarterly consolidated balance sheet

(Unit : Thousands of yen)

	As of March 31,2015	As of June 30,2015
Assets		
Current assets		
Cash and deposits	5,297,267	5,394,166
Notes and accounts receivable - trade	2,538,015	2,444,171
Merchandise and finished goods	310,179	284,589
Work in process	55,013	39,541
Raw materials and supplies	212,364	180,538
Deferred tax assets	199,666	193,764
Other	68,189	73,144
Allowance for doubtful accounts	<u>(12,179)</u>	<u>(11,316)</u>
Total current assets	<u>8,668,516</u>	<u>8,598,599</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,312,799	3,299,998
Accumulated depreciation	<u>(1,958,971)</u>	<u>(1,965,975)</u>
Buildings and structures, net	1,353,827	1,334,023
Machinery, equipment and vehicles	1,941,965	1,938,896
Accumulated depreciation	<u>(1,501,139)</u>	<u>(1,520,459)</u>
Machinery, equipment and vehicles, net	440,826	418,437
Tools, furniture and fixtures	759,934	761,269
Accumulated depreciation	<u>(579,028)</u>	<u>(577,330)</u>
Tools, furniture and fixtures, net	180,905	183,939
Land	2,874,726	2,879,741
Construction in progress	44,429	45,813
Total property, plant and equipment	<u>4,894,715</u>	<u>4,861,953</u>
Intangible assets	42,449	50,444
Investments and other assets		
Investment securities	512,486	535,729
Net defined benefit asset	413,006	427,822
Deferred tax assets	14,090	14,176
Other	135,028	134,903
Allowance for doubtful accounts	<u>(34,157)</u>	<u>(34,174)</u>
Total investments and other assets	<u>1,040,454</u>	<u>1,078,457</u>
Total non-current assets	<u>5,977,619</u>	<u>5,990,855</u>
Total assets	14,646,135	14,589,455

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(Unit : Thousands of yen)

	As of March 31,2015	As of June 30,2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	650,907	654,930
Accounts payable - other	340,169	285,351
Accrued expenses	62,608	111,288
Income taxes payable	353,557	195,020
Provision for bonuses	204,282	152,063
Provision for directors' bonuses	47,830	6,450
Other	204,653	179,866
Total current liabilities	<u>1,864,008</u>	<u>1,584,971</u>
Non-current liabilities		
Deferred tax liabilities	655,416	687,111
Net defined benefit liability	59,610	46,441
Other	27,430	28,821
Total non-current liabilities	<u>742,457</u>	<u>762,373</u>
Total liabilities	<u>2,606,466</u>	<u>2,347,345</u>
Net assets		
Shareholders' equity		
Capital stock	594,142	594,142
Capital surplus	446,358	446,358
Retained earnings	9,800,268	10,016,852
Treasury shares	(12)	(12)
Total shareholders' equity	<u>10,840,756</u>	<u>11,057,340</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	144,206	158,711
Foreign currency translation adjustment	864,092	843,215
Remeasurements of defined benefit plans	190,613	182,842
Total accumulated other comprehensive income	<u>1,198,912</u>	<u>1,184,769</u>
Total net assets	<u>12,039,669</u>	<u>12,242,110</u>
Total liabilities and net assets	<u>14,646,135</u>	<u>14,589,455</u>

(2) Quarterly consolidated statement of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statement of income)

(Three months ended June 30, 2015)

(Unit : Thousands of yen)

	Three months ended June 30,2014 (From April 1,2014 To June 30,2014)	Three months ended June 30,2015 (From April 1,2015 To June 30,2015)
Net sales	2,155,911	2,185,172
Cost of sales	696,063	701,937
Gross profit	1,459,847	1,483,235
Selling, general and administrative expenses	914,154	987,126
Operating income	545,693	496,108
Non-operating income		
Interest income	6,589	9,367
Dividend income	2,356	3,764
Trial products income	5,581	4,297
Foreign exchange gains	—	24,911
Other	4,341	1,410
Total non-operating income	18,868	43,750
Non-operating expenses		
Sales discounts	1,185	994
Foreign exchange losses	15,009	—
Other	173	309
Total non-operating expenses	16,369	1,304
Ordinary income	548,192	538,555
Extraordinary income		
Gain on sales of non-current assets	1,998	2,470
Total extraordinary income	1,998	2,470
Extraordinary losses		
Loss on sales of non-current assets	—	1,344
Loss on retirement of non-current assets	781	510
Total extraordinary losses	781	1,855
Income before income taxes and minority interests	549,409	539,169
Income taxes	221,470	162,017
Profit	327,938	377,151
Profit attributable to owners of parent	327,938	377,151

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(Quarterly consolidated statements of comprehensive income)

(Three months ended June 30, 2015)

(Unit : Thousands of yen)

	Three months ended June 30,2014 (From April 1,2014 To June 30,2014)	Three months ended June 30,2015 (From April 1,2015 To June 30,2015)
Profit	327,938	377,151
Other comprehensive income		
Valuation difference on available-for-sale securities	18,966	14,504
Foreign currency translation adjustment	(171,931)	(20,877)
Remeasurements of defined benefit plans, net of tax	(2,387)	(7,771)
Total other comprehensive income	(155,352)	(14,143)
Comprehensive income	172,586	363,008
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	172,586	363,008
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes on quarterly consolidated financial statements

(Notes on the premise of a going concern)

N/A

(Notes on marked changes in the amount of shareholders' equity)

N/A